

대한예수교장로회총회

A BRIEF INTRODUCTION



**The General Assembly of
the Presbyterian Church of Korea**

GREETING FROM THE PCK

Shalom from Seoul! And may the peace of God, which passes all understanding, keep your hearts in Jesus Christ.

The General Assembly of the Presbyterian Church of Korea has adopted the biblical question "What doth the Lord require of thee?" (Micah, 6:8) as its Scriptural theme for the 1989-1990 church year. Under this text, we affirm for ourselves God's will which requires justice, love and humility from us in all of our living situations.

Contemporary Korean society is faced with social failure and confusion caused by corruption and injustice, a tendency toward luxurious living and excessive consumption, many short comings in the national democratic process, and irresponsible debate on the unification of the Korean peninsula.

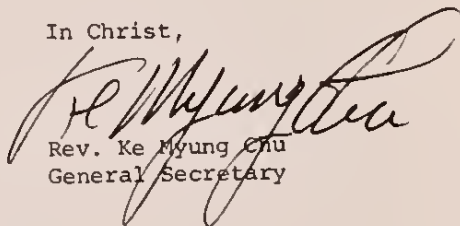
First. God requires of us justice. We remember God's Word; "Let justice roll down like waters, and righteousness like an everflowing stream (Amos 5:24)" The church is obliged to overcome the power of injustice and unrighteousness, thus fulfilling the function of light and salt in our society.

Secondly, God requires of us love. Jesus Christ came into world as the manifestation of God's love. Jesus Shows in his own life the love which God gives to sinners. God's work is always done through love and service. In this time of social discontinuity, contention, and conflict, God requires us to love each other.

Finally, in this time when real dignity easily disappears, God requires of us humility. Humility means that people must acknowledge themselves to be God's creatures. As good biblical style leaders who are always humble before God, today we must repent of our weaknesses for the sake of our country, our society, and ourselves.

We extend our greetings to you through this brief introduction and hope that it will be of use in extending and deepening our fellowship.

In Christ,

A large, fluid handwritten signature in black ink, which appears to read 'Ke Myung Chu', is written over the typed name and title.

Rev. Ke Myung Chu
General Secretary

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History

The Korean Church celebrated its 100th anniversary in 1984.

A special characteristic of the Protestant Church in Korea is that before foreign missionaries came to Korea, the Korean people themselves in their own strength and initiative translated the Bible, began evangelism, and established a church.

The history of the Protestant church in Korea began in 1884 when Mr. Shu, Sang-yun founded the Sollae Church in Whang-hae Province. In 1879 Mr. Suh was baptized in Manchuria by the Scottish missionary John Ross. He helped Ross with the translation of the New Testament into Korean. Later, he carried the Bible throughout Korea as a colporteur. In 1883, Mr. Lee, Su-jung, while a student in Japan, translated the Gospel of Mark into the Korean language.

In 1884, Horace Allen, M.D., arrived to begin medical mission service. The Revs. Horace G. Underwood and Henry Appenzeller landed in Inchon as the first evangelistic missionaries of the Presbyterian and Methodist churches respectively in 1885.

In October 1889, the Rev. John Henry Davies of the Presbyterian Church of Australia arrived. On October 20, 1892, Miss Linnie Davis of the (Southern) Presbyterian Church (U.S.A.) landed. A Presbyterian Mission Council was organized on January 8, 1893 to coordinate the work of the three mission groups and on September 8, 1898, the Rev. Robert G. Grierson of the Presbyterian Church in Canada first arrived. Together, the missionaries divided Korea into mission areas to facilitate cooperation and efficient administration. The so-called Nevius Plan for evangelistic outreach was adopted. Its three basic principles were: Self-propagation, Self-government, and Self-support. In addition, schools and hospitals were founded to broaden the missionary ministry.

In 1901 the Presbyterian Theological Seminary was founded in Pyongyang. The All-Korea Presbytery was organized on September 17, 1907. The new Presbytery had 38 missionary members, and 40 elders. At this same meeting, the first seven graduates of the Seminary were ordained.

The General Assembly of the Presbyterian Church of Korea was established on September 1, 1912 with 52 ministers, 125 elders, and 44 missionaries. The Fiftieth Anniversary of the founding of the church was celebrated on September 9, 1934. Following Japan's annexation of Korea in 1910, worship at the Japanese shrines became a very difficult issue for the church. After 1938 the General Assembly began to fall into confusion. Finally the Seminary was closed. Under heavy pressure, however, the Church was re-organized in 1943 (May 8th) as the Japan Christian Chosun Presbyterian Church.

Immediately following Liberation in August 1945, there was an interdenominational general meeting of churches on September 8th. Then in 1947 there was a second general assembly meeting in the south, held at the First Presbyterian Church in Taegu and at that time the PCK was officially re-organized as the 35th General Assembly of the PCK. The re-established Presbyterian Theological Seminary was recognized by the Assembly. On this foundation the church began to grow again.

However, on June 25, 1950, the Korean War began and both the church and the nation were decisively divided. On September 11, 1952 at the 37th General Assembly the so-called "Ko-shin" church group separated from the PCK. That was the first of three unfortunate divisions. Following that the Presbyterian Church in the Republic of Korea divided off on June 10, 1953 at the 38th General Assembly. Then on September 28, 1959, at the 44th General Assembly, the "Hap-tong" group pulled out.

However, in spite of its painful divisions, and because of the witness of its martyrs, its Bible study, prayer, evangelism, enthusiasm, and missionary work, the PCK has become a world leader in church growth. In 1984 the PCK celebrated its 100th anniversary in the Chamsil Gymnasium in Seoul. As representatives from the PCK's overseas partner churches attended, the anniversary was celebrated with glory, thanks, praise, and prayer. That same year the Korean Church Centennial Memorial Building was opened, and the Martyrs' Memorial Tower was unveiled in the vicinity of the Memorial Building.

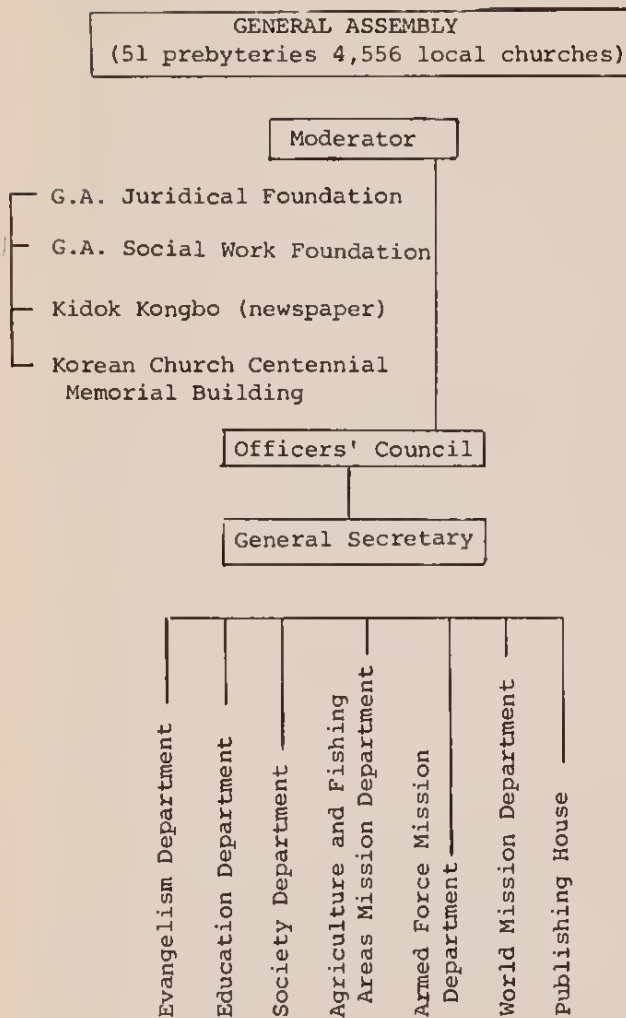
The Korean Church as it faces the beginning of the second century of its life, has decided to change the emphasis of its life from growth in quantity to growth in quality. The year 1985 was proclaimed as the Church's World Mission Year. A target was set to have 348 missionaries on the field overseas by 1995. Church maturity, unity, peace, social ministry, human rights, rural and fisheries ministry, medical mission, etc. were all set up as objectives and the Church resolved to strive for these goals with all of its strength.

CHURCH STATISTICS

(as of December 31, 1989)

Presbyteries	:	51	
Churches	:	4,556	
Ministers	:	4,249	
Unordained Evangelists	:	4,123	
Officers	:	Elders	10,335
		Ordained Deacons	11,109
		Kwunsas (women)	19,134
		Temporary deacons	248,666
		Total	289,244
Members	:	Baptized Adults	688,248
		Baptized Infants	95,734
		Catechumens	178,443
		Inquirers	699,323
		Total	1,661,748

GENERAL ASSEMBLY



ORGANIZATION CHART

Standing Committees

Education Committee
Evangelism Committee
Finance Committee
Military Chaplains Committee
Policy Committee
Rules Committee
Rural and Fishery Committee
Society Committee
Theological Education Committee

Permanent Committees

Auditor's Committee
Church and Society Committee
Constitution Committee
Examinations Committee
Human Rights Committee
Laywomens' Guidance Committee
North Korea Evangelism Policy Committee
Pension Committee
Publishing Committee

Judiciary Committee

Election Administration Committee

Special Commissions

GENERAL ASSEMBLY PROGRAM DEPARTMENT ACTIVITIES
EVANGELISM DEPARTMENT

3

Policy

1. Continued Church Planting (Unchurched farm, island factory, new city, and high population areas).
2. Continuous Balanced Church Growth.
3. Growth in Self-Support (Through aid from strong churches in Korea and abroad).
4. Expanding and Revitalizing Special Ministries.

Goal : Two million Chrisitans and 6,000 churches by 1998.

Major Activities

1. National Evangelism Movement

- 1) Developing a Total Church-in-Mission Movement.
Mission prayer movement, Movement for the development and complete mobilization of mission power and Movement for extended mission to all areas of life.
- 2) Sending Out Pioneer Evangelists and Planting New Churches.
- 3) Holding Breakfast Meetings and Mass Meetings in Each Region to Promote Total Evangelism.
- 4) Conduction Training Sessions for Evangelists.
(Twice per year)
- 5) Sending Out Self-Supporting Revival Preachers.
- 6) Providing Equipment for Evangelism.

2. Mission to Farm and Fishing Villages.

- 1) Establishing Sister Church Relationships to Help New Weak Churches.
- 2) Providing Vehicles for Pastoral Workers. Bicycles and motorcycles.
- 3) Distributing Evangelistic Materials, Bibles, and Hymnbooks.
- 4) Developing a mission outreach which seeks to integrate the cultural and traditional background of each region of the country.
- 5) Organizing Programs for Training Ministers in Spirituality.

3. Special Types of Mission

- 1) Blind Mission
Providing eye operations to improve eyesight (At Siloam Eye Hospital), spreading the use of braille Bibles and white canes, supporting blind churches and blind students, and providing social welfare service for the blind (Nakwon Hall)
- 2) Hospital Mission
Sponsoring chaplains in eight PCK related hospitals and seven community hospitals and organizing mission seminars to enrich the ministry of hospital chaplains (Annual)
- 3) Prison Mission
Sending out pastoral workers to twenty-nine prisons and detention centers and broviding seminars to improve prison ministry.
- 4) Mission to the Deaf
Supporting twenty churches for the deaf and organizing seminars to encourage the ministry in deaf churches.
- 5) Parks Mission
Sending Christian workers and providing Service Love activities for mission in the Seoul Grand Park, the Children's Grand Park, and the Independence Memorial Hall.
- 6) Other Various Types of Special Mission
Mission to policemen, office workers, sportsmen, disabled ex-servicemen, handicapped persons, skilled workmen, single mothers and prostitutes, and firemen

4. Industrial Mission

- 1) Assisting in Organizing Industrial Mission Committees in Each Presbytery.
- 2) Holding Industrial Mission Seminars in Industrial Areas or Local Presbytery Areas. (Annually)
- 3) Supporting New Church Development in Factory Areas and Sending Out Industrial Missionaries.
- 4) Training Those Doing Industrial Mission
- 5) Operating a Workers' Counseling Center.

- 6) Conducting the Hope Telephone Line for Counseling on Workers' Problems. (Tel. 857-8852)
- 7) Providing Leadership and Support for Workers' Churches.

Note: There are eighteen special factory areas nationwide

5. Campus Mission

- 1) Assisting in Organizing Campus Mission Committees in Each of the 51 Presbyteries of the PCK
- 2) Holding Campus Mission Seminars (Annually)
- 3) Conducting Seminars for Those Doing Campus Mission including Teachers and Professors from Non-Christian Campuses.
- 4) Sending and Assisting Campus Chaplains.
- 5) Issuing and Distributing Materials for Campus Mission.

EDUCATION DEPARTMENT

The Education Department does its work through a number of sub-committees (including the Curriculum Committee). It is responsible for the guidance of the National Presbyterian Young Adult Organization and four other General Assembly related bodies. The Department's objectives and activities are listed below.

Educational Objectives:

The Christian Education objectives of the PCK are to enable persons: to respond to God through worship and obedience by experiencing His saving love and presence as He reveals Himself in Jesus Christ to all persons through the Holy Spirit; to know themselves more deeply; to understand the meaning of the universe, nature, history, and the society in which they are placed; to love according to the word of Scripture; to become laborers for the unity and mission of the

Church through the body of Christ while growing in Christ-like character; and to build in hope a society filled with the love and justice of God.

Major Activities

1. Development and Promotion of Educational Policy Research: This is the most important activity of the Department. Special members and staff of this department establish its educational policy.

2. Curriculum Preparation and Christian Book edition: The main curriculum cycle entitled "Word and Life" for church schools has been in use since 1981. In addition, materials for church school teachers, ministers, and summer and winter Bible schools are also published and to develop church leadership. Sunday School teacher college.

3. Church Leader Training: The aim of this program is to distribute materials prepared by the Department to local churches.

4. Sub-committees: In order to communicate the Department's educational policy to the church school teachers there are departmental subcommittees for Pre-School Children, Young Adults, and Adults.

5. Christian Schools: To maintain a close relationship with the Christian schools under the General Assembly this department is connected with the councils of their schools.

6. Correspondence Education: Several correspondence study courses in New Testament, Old Testament, and lower and middle level college education courses, are offered to persons enrolled in this program.

SOCIETY DEPARTMENT

Since 1978 the Society Department has conducted three major social mission policy consultations and published reports from these. It has sought to establish strategies for stimulating a call to service to the church from the perspective of the "mission of God" concept and has divided its work into three parts: (1) welfare, (2) church and society, and (3) training.

Objectives:

To enable the church at every level (General Assembly, Presbytery, local church) to implement the General Assembly's guidelines on social mission.

Organization and Activities

Activities

1. Welfare Sub-Committee

- (1) Establishing a comprehensive welfare program which is open to the use of pastoral resources.
- (2) Aiming at disaster relief in a community development dimension.
- (3) Conducting a social mission (Diakonis) consultation in each presbytery to raise their consciousness for social service, and causing local churches to be well thought of by their local communities because of their service activities.

2. Church and Society Sub-Committee.

- (1) Conducting a consultation on social problem's exploring ways to heal and solve social problem's which have arisen during the year, and working hard to implement the pastoral dimensions of this activity.

- (2) Annually conducting a consultation for the social mission chairmen of each presbytery, discussing matters of common interest to the presbyteries, and setting concrete policy concerning these matters.
- (3) Aiding the families of prisoners of conscience.
- (4) Publishing a newsletter concerning social mission and distributing it and other materials of interest.

3. Training.

- (1) Giving educational training to church leaders who are able to implement social mission.
- (2) Providing continuing education to social mission staff workers.

AGRICULTURE AND FISHING AREAS MISSION DEPARTMENT

Of the 4,556 congregations of the Presbyterian Church of Korea 2,084 are in areas where the people live by agriculture or fishing. The agriculture and fishing areas mission department works to support directly and indirectly the outreach of these rural churches.

Due to the population migrating to the cities rural and island churches are having increasing difficulty in finding adequate pastoral and financial resources. The Agricultural and Fishing Areas Mission Department is planning and actively carrying out practical projects to overcome this difficulty in the following areas:

1, Training Church Workers. Rural churches of the PCK which can't support themselves number 1,088 or 52%. There are 204 pastors and 777 evangelists in financially dependent rural churches. Poor living conditions cause a rapid turnover and migration of church workers. Because these conditions work against a strong sense of calling, we concentrate

on spiritual training for rural church workers as well as co-sponsoring with each presbytery's Rural Committee seminars in agriculture and church worker training.

2. Scholarships. Scholarships are provided for the middle and high school education of rural pastors' children since lack of educational opportunity is the greatest barrier in recruiting church workers. A dormitory for these students is urgently needed in the city.

3. Urban-Rural Church Relationships. This department recommends relationships linking rural churches to city churches for financial and other support.

4. We have now helped establish fifty-four rice cooperative credit unions.

5. Local Development Projects: Projects are located in: Nam Yang Bay, the Shin-An Cooperative, the Rural Development Project of Taegu Christian Academy, the Sang-Po Medical Mission work, and the mobile medical mission projects.

The ISLAND MEDICAL MISSION COMMITTEE

Korea has 517 islands populated by 434,000 residents. Some 80% of these islands lack regular electricity, running water, hospitals, or drugstores. Problem of contagious disease and economic hardship exist. A 20-ton ship, Salvation has been built and put into service since April, 1989, for free medical work among islanders.

1) Medical ship outreach: This charity medical program operates out of Mokpo, Yosu, Do-Yang ports in Chonnam Province and Samchonpo and Choongmu in Kyungnam Province.

2) Sending church planters to churchless villages: Ten districts in Chonnam including the following counties are included: Shin-Ahn, Wando, Jindo, Goheung, and Yochon.

3) Building a medical treatment center: Palkum Island in Shin-Ahn Kun is the site for a medical clinic and mission center to house the medical mission to islanders.

4) Description of medical ship and staff: This 20 ton FRP medical ship can convey fifty persons. I has a crew of five and a medical team of three doctors, three nurses, and a pastor.

ARMED FORCES MISSION DEPARTMENT

The current Korean political situation makes the Armed Forces one of the most important mission fields to which all churches should give priority making a united effort which transcends denominations. Victory or defeat in war depends upon God. Thus, in order for our Armed Forces to be in line with God, we need to prepare a specialized mission strategy which takes into account the characteristic features of the military.

1. Religious affiliation of ROK Armed Forces

Protestants:	37%
Catholics :	10%
Buddhists :	21%
<hr/>	
Total	68%
No religion	32%
<hr/>	
	100%

2. Religious affiliation of ROK military chaplains

Protestant chaplains	about	320
Catholic priests	about	60
Buddhist priests	about	70

3. Graduation schedule for PCK chaplaincy candidates

Total Number	1990	1991	1992	1993	1994	1995	1996
71	12	10	10	12	10	8	9

4. Activities of the department

1) Seminary scholarships for chaplaincy candidates

- (1) Sets standards for selecting and recruiting candidates for chaplain extensions or long-term appointment
- (2) Pays all seminary tuition through graduation
- (3) In 1989, 30 candidates received scholarships totalling W25,781,500 (US\$38,000)
- (4) Establishing a revolving endowment fund to support these scholarships. The goal is W42,500,000 (US\$62,000)

2) Program and equipment assistance for chaplains

- (1) Supplies car or motorcycle
- (2) Supplies religious literature for chaplains' use such as Bibles, hymnals, devotional literature, faith-study materials, and Christian newspapers
- (3) Supplies facilities and equipment to chaplains for their work
- (4) Construction and upkeep of churches for the armed forces, and the offering of support for the provision of materials.

3) Education and training

- (1) Seminaries and training for chaplains
- (2) Seminaries and interest groups for chaplaincy candidates
- (3) Seminaries to develop policy for mission to the military

- (4) Special religious lecture circuit
- (5) Support for new chaplains who are training in the army
- (6) Educational meetings for troops
- (7) Mission to the military through radio broadcasts on CBS
- (8) Educational training for chaplains,

WORLD MISSION DEPARTMENT

Organized under six sub-committees, the Department carries on the work of overseas mission with an aim to send out 348 missionaries by 1994 and is seeking to serve the world, in partnership with a variety of organizations and churches overseas.

Major Activities

1) Missionary Committee

As of December 1989, 189 missionaries (including wives) have been commissioned to serve thirty-nine countries and the number of PCK churches participating in overseas mission are one hundred fifty churches. This committee is responsible for sending missionaries in the following situations: a) to the third world and underdeveloped people: b) to non-Christian churches and religions: c) to overseas Koreans: and d) to answer requests for mission co-workers from sister denominations overseas, etc.

2) Mission Cooperation Committee

It is responsible for carrying out the co-operative work of the PCK which it does in mission relationship with various churches of the world. Consultation for mission and exchange of program information are related duties.

3) Mission Co-worker Committee

-) Is responsible for decisions regarding the invitation, assignment, visas, and other administrative matters for missionary co-workers to Korea.

4) Finance Committee

It shall be responsible for decisions regarding mission property questions, project screening, and other mission financial concerns.

5) Education Committee

It is responsible for the field training of missionary co-workers to Korea, screening of pastors for overseas scholarships, and other matters related to international education.

6) Overseas medical Mission Committee

It shall be responsible for overseas medical mission through PCK overseas missionaries and in cooperation with partner churches.

PUBLISHING HOUSE

The Publishing House of the General Assembly publishes all kinds of books and written materials for renewal and development of the church in Korea. It was established on October 6, 1986 for the purpose of helping the Korean Church in more meaningful and more active ways to grow into a truly mature church in word and life, one which is oriented toward the whole world.

1. It publishes the Department's plans and edited graded texts for kindergarden-age children through young adults as well as the texts for the seasonal Bible Schools--the winter and summer Vacation Church schools.

2. The Publishing House issues the Ministers' Manual every year which consists of sermons for pastors and evangelists. It also plans to trans-

pastors and evangelists. It also plans to translate and publish the Expositor's Dictionary of Texts and Word Bible Commentary.

3. For lay persons, it publishes biblical research materials, guides for small-group worship, and catechetical materials. It is in the midst of plans to publish adult study research materials and small-group Bible study materials. The Exposition of the New Testament has been written primary with the aim of constituting a resource for the study of the Bible and the Exposition of the Old Testament is presently being prepared.

4. Among the specialized books which it has published, a Christian Education series has been translated and printed as have "A History of Christian Thought," "Essentials of Evangelical Theology," "Reformation and Tradition," and "An Analysis of the Confession of Faith." Soon, "A History of the Reformation" will be published.

5. Among those books which have stimulated church growth and pastoral care, the Publishing House has translated and published Basic Types of pastoral care and Counseling, Pastoral Theology, Understanding Church Growth.

6. The Publishing House publishing policy statements of the General Assembly in book and printed-material form, General Assembly reports, Minutes of the General Assembly, the church-wide directory, the Worship Book (including guidelines for family worship), etc.

7. A partnership relationship between the Presbyterian Church (U.S.A.) and the Publishing House has resulted in the Publishing House printing and shipping to the United States a text for young adults among minority groups in that country. The text is entitled "My Identity."

8. It published the official materials of WARC

8. It published the official materials of WARC General Assembly's in 5 volumes: "Common Testimony of Faith," "Mission and Unity," "Justice, Peace and the Integrity of Creation," "Bible studies," and "From Ottawa to Seoul."

9. It published writings commemorating the year in service of two former moderators and will continue to publish more such materials as "The Church Renewing History" and "The church moving towards justice, peace and integrity of creation."

OVERSEAS PARTNER CHURCHES AND ECUMENICAL BODIES

1. Overseas Partner Churches

Presbyterian Church (U.S.A.)
Uniting Church in Australia
Presbyterian Church in Canada
Presbyterian Church of New Zealand
Uniting Church of Christ in Japan
Presbyterian Church in Taiwan
The Church of Scotland
Evangelisches Missionwerk in Südwestdeutschland
Church of South India
Church of North India
Mar Thoma Church in India
The Korean Presbyterian Church in America
The Korean Christian Church in Japan
United Reformed Church in England
Church of Christ in Thailand
Evangelical Presbyterian Church, Ghana
Reformed Church in America
The Federation of Swiss Protestant Churches
North East India Church
The Church of the Lord Jesus Christ in Indonesia
Eglise Evangelique Du Gabon

2. Overseas Ecumenical Bodies

Christian Conference of Asia (CCA)

World Alliance of Reformed Churches (WARC)
World Council of Churches (WCC)
Council for World Mission (CWM)

G.A.- RELATED INSTITUTIONS

Seminary : Presbyterian College and Theological
Seminary

Area Seminaries:

1. Seoul Presbyterian Seminary
2. Taejon Seminary
3. Youngnam Seminary
4. Pusan Seminary
5. Honam Seminary
6. Chunju Hanil Seminary

Universities & Colleges:

1. Soongsil University
2. Seoul Women's College
3. Keimyung University
4. Hannam University
5. Yonsei University

Hospitals:

1. Tongsan Medical Center
2. Andong Holy Hospital
3. Kyungju Christian Hospital
4. Chunju Presbyterian Medical Center
5. Kwangju Christian Hospital
6. Ilshin Christian Hospital
7. Pohang Good Neighbor Hospital

Laymen's training institutes (25)

Technical junior colleges (6)

Elementary schools (3)

Middle and High schools (22)

KOREAN CHURCH CENTENNIAL BUILDING
(PCK Headquarters)

- 1st Floor: Large auditorium - 1,000 seats
(600 mainflr. + 400 balcony)
Small auditorium - 300 seats
Korean Video Mission Association
- 2st Floor: Grill
Church supply store
Yunigae dress shop
National Laymen's Association
- 3rd Floor: General Assembly Office
Kidok Kongbo (newspaper)
- 4th Floor: Seoul Presbytery, Pyungyang Presbytery,
Pyungbuk Presbytery, Hamhae Presbytery,
Historical Materials Sub-committee,
Publishing House, classrooms, conference
rooms
- 5-6th Floor: Guest rooms
25 Korean style (6 Persons each)
11 Western style (2 Persons each)

The 74th General Assembly Officers

Moderator	:	Rev. Meng Syul, Park
Vice Moderator:		Rev. Jung Kyu, Nam
Stated Clerk	:	Rev. Jae Chul, Huh
Associate Stated Clerk:		Rev. Chang Sun, Kim
Recording Secretary:		Rev. Ryong Yek, Min
Associate Recording Secretary:		Rev. Gil Jae, Jung
Treasurer	:	Elder Man Young, Lee
Associate Treasurer:		Elder Jang Wook, Song

Staff

General Secretary:	Rev. Ke Myung, Chu
Executive Secretaries:	
Evangelism Department:	Rev. Doo Ho, Yun
Education Department:	Rev. Wook Tae, Jang
Society Department:	Rev. Chang Bin, Park
Agriculture and Fishing Areas	
Mission Department:	Rev. Ro Won, Park
Armed Forces Mission Department:	Rev. Tae Won, On
World Mission Department:	
Director Publishing House:	Rev. Bong Ik, Kim
Associate General Secretary:	Elder Nak Un, Kim
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<u>Fax No.</u>	(2) 741-4355

SYMBOL OF THE PRESBYTERIAN CHURCH OF KOREA

Figure: 1) The cross portrays Christ's work of salvation, the universal symbol for Christians.

2) The scroll represents God's Word and suggests the form of the Korean peninsula.

Color: 1) The color red symbolizes Christ's blood and the grace of God's salvation.

2) Green communicates the hope and trust of the ; the Korean Presbyterian Church.

As a whole the symbol is based on the work of salvation through Christ's blood, witnessing to the evangelization of the world, not only of Korea but beyond our borders; this is the basis of the PCK's hope and trust.





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Reuben G. Torrey

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Dr. Chayon Kim

January 15, 1990

Dr. Sam Moffett
150 Leabrook Ln.
Princeton, NJ 08540

Dear Dr. Moffett,

Dr. Kim spoke to me of your continued concern to know more about Professor Tang Yi. She will be leaving soon for China and will get whatever information she can on him. It will be valuable to all of us.

Your concern about possible involvement by the Unification Church is indeed a valid one. They have their tentacles in more places than you can imagine. Dr. Kim told me that they even have someone at the Central Institute of the Nationalities. One of our concerns is that they might "muscle in" on the things which we are trying to accomplish, especially if we let them go by default.

The enclosed flier, put out by the Chinese Center for Islamic Studies, might give you a little better idea of one of the things which the Chinese are trying to do. The Institute of World Religions would like to sponsor such centers for Christianity and Buddhism. Prof. Tang is setting up the one on Christianity. Each one must be independently endowed as the Islamic one is. We hope to help the Christian center get an endowment.

We want to put together a good solid working board of directors over the next few months. Both of us feel the need of this keenly. The present board, Dr. Kim and two of her friends, is strictly an interim one. She wants to get off it as soon as she can. If you can suggest any members, it would be a great help.

We want the board to number from 5 to 7 people. We can have a maximum of 9. We would like all the members to live in the New York City to Boston corridor so that they can participate in meetings regularly. Meetings would probably be here, half way between Boston and New York. If a valuable and enthusiastic person lived elsewhere, we would certainly consider him or her. Location is the least important criterion. All members should be devoted Christians with a concern for China and a vision for this approach. We would like to include at least one each of the following: a C.P.A., a China expert (at least one!), someone with good administrative experience, someone with good fund raising expertise, a public relations expert, a lawyer. The Chinese would like to see some linkage with either or both Harvard or Yale.

Thank you for whatever help you can give.

Sincerely yours,

"Help now. Be helped later."

CHINESE CENTRE FOR ISLAMIC STUDIES

Established in 1989, the Chinese Centre for Islamic Studies (CCIS) is the focus of an academic community engaged in Islamic, Middle Eastern and related studies. It is associated with the Institute of World Religions of the Chinese Academy of Social Sciences in Beijing.

MEMBERSHIP AND ORGANIZATION

The Chinese Centre for Islamic Studies is a non-governmental, non-profit, self-financing institution whose members are drawn from various research organizations, institutions of higher learning and departments concerned in Beijing. Any individuals with sound knowledge of Islam and with similar interest in related subjects are qualified for its full or honorary membership. The governing body of the centre is its Academic Council consisting of professors and research fellows which plans, examines and supervises programmes. The centre is administered by its director with the assistance of a vice-director and a secretary-general.

DIRECTOR: Professor Jin Yijiu

VICE-DIRECTOR: Professor Chen Enning

SECRETARY-GENERAL: Professor Wu Yungui

SCOPE OF INTEREST

The general aim of the CCIS is to work for the

advancement of Islamic studies in China, for a deeper understanding of Islam as a major world religion and civilization and for an objective, comprehensive, balanced research of Islam and the Muslim peoples all over the world. The research is to be conducted in two major directions, i. e. research on Islam in China and in other parts of the world. Different approaches are encouraged, such as historical, comparative, sociological and psychological studies of religion. The scope of interest will cover:

- Organizing research on subjects of Islam, Middle East and Muslim culture and civilization, historical or contemporary.
- Translating and introducing selected literature on Islam, from foreign languages into Chinese and vice versa.

- Promoting international academic communication including scholarly visits, exchange of publications, sponsoring conferences, seminars and workshops at home and sending its members to conferences held abroad.

- Providing training for students of Islam at different levels.

- Publishing CCIS Newsletters reporting the work of the centre and Islamic activities in China.

THE PROSPECTIVE PROGRAMMES

At present the CCIS will focus its attention on the following projects:

- Islamic relics along the Silk Road
- Inscriptions in Chinese Mosques
- Islamic spots of tourist interest in China
- Islamic and traditional Chinese culture

- Islam and Muslims among the Mongolians
- Islam and Muslims among the Tibetans
- The Indo-Pakistani subcontinent and Islam in China
- Persia and Islam in China
- Translation of classical works on Islam

HOPES AND WISHES

With a view of the nature that Islamic studies is a wide-scope and interdisciplinary subject and the fact that its foundation is rather weak in China today, the centre is also expected to function as a liaison office for international cooperations. It would like to establish contact, to develop cooperations and coordinations in various forms with individual scholars, research bodies and organizations and institutions of higher learning sharing similar interests from various countries and regions throughout the world. Any support, spiritual or material, any contributions, donations and financial subsidies in all forms will best be appreciated by the centre. Any suggestions and recommendations for the further development of the centre will sincerely be welcomed.

For contact, please write to:

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中国伊斯兰研究中心

为促进中国伊斯兰研究，加强同海内外学者间的联系、交流与合作，本中心于1989年在北京正式宣告成立。这是一个非赢利性的民间学术团体，其宗旨包括：

- 编制研究计划，组织系统的专题研究，重点加强关于伊斯兰教、中东问题和穆斯林各族人民文化的历史与现状的研究。
- 译介国内外学术界、宗教界出版的伊斯兰文献、著作和资料。
- 促进国际学术交流，组织学者互访，交流出版物，举办学术会议、研讨会、讲习班，出席国际性、地区性或双边的学术会议。
- 为有志于宗教研究的大学本科生、研究生、专业工作者和业余爱好者提供人员培训和咨询服务。
- 出版《中国伊斯兰研究中心通讯》，报告中心的活动和国内伊斯兰学术界的动态。

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March 10, 1990

South Korea

When democracy hits the purse

FROM OUR EAST ASIA CORRESPONDENT

SEOUL

FOR all their sins, the despots who ran South Korea until 1988 got one thing right: they left the economy in the hands of people who knew what they were up to. When he became president two years ago, Mr Roh Tae Woo inherited an economy three times bigger than that of 1980, with a chronic trade deficit turned into a surplus. But democracy has made the smooth running of the economy a little harder.

Ministers and top civil servants have had to grow accustomed to trooping obediently to the National Assembly whenever the people's representatives see fit to call them in for questioning. And the questions have got tougher. The heady summer of demonstrations in 1987 brought not only a free election but a rash of strikes and protests by discontented farmers.

Wages have gone up, and the government has raised its rice-buying price by more than 30% since 1988. Koreans now think they have an economic problem. Growth has almost halved to 6.5% a year, inflation is still around 5% and unemployment is up. For the first two months of this year, the current account was back in deficit.

So far the government has resisted pressure to change its liberalisation programme. This is thanks mainly to Mr Cho Soon, the deputy prime minister, who runs South Korea's Economic Planning Board and is thus in charge of the economy. Although Mr Cho is not a professional politician—he used to be a professor of economics at Seoul National University—he retained his job

through two reshuffles that unseated most of his colleagues. Now he is under pressure.

"Everyone is unhappy," says a senior politician from Mr Cho's party. "The rich are furious about the real-names reform [investors are being obliged, for the first time, to use their own names]; the middle class is furious because share prices have fallen; and the poor are furious at the land-price boom that has driven up rents." Mr Cho has offered the president his resignation. When the parliamentary session comes to an end on March 16th or 17th, Mr Roh may be tempted to accept it.

The president, defiantly his own man, could resist temptation. But somebody has to carry the can for the country's economic difficulties. Party malcontents are beginning to gripe that Mr Cho failed to foresee the depth of the trough into which the economy began to slide 18 months ago, and that he mistakenly let the currency rise against the yen last year by pegging it to the dollar. This eroded Korea's competitiveness.

Easy to make such complaints with hindsight. Last year was particularly difficult. The United States was complaining vociferously that South Korea's markets were closed and its currency overvalued. Had Mr Cho erred in the other direction, Korea might have been cited as an "unfair trader" under the "super-301" provisions of America's trade law. Six months ago, Koreans were delighted to have escaped that.

What happens now? Two schools of thought have emerged. The first is that, as

Korea's economy grows, the old policy of supporting exporters will have to be abandoned. To survive, the country will have to let labour-intensive businesses, such as shoe factories, die out, and replace them with higher-value-added industries such as semiconductors and aerospace. Helping ailing firms would merely slow the change. Depreciating the won would suck in imports, causing more inflation. Best, therefore, to keep economic policy on track, while spending any spare cash on welfare. The present team favours this policy.

The other school of thought, advocated by many of the people who are now gunning for Mr Cho, is that the country cannot be expected to restructure itself so fast and that traditional support for exporters should continue. Over the past two years, Korea's big firms have paid out annual wage increases of more than 20% and have seen the won rise 15% against the dollar and even more against the yen. Japan prospered from the rise of the yen in 1985-88, but Korea is smaller and weaker.

This row has broken out at a thoroughly inconvenient time. In January, Mr Roh announced that his party would merge with two of South Korea's three opposition parties to form a huge new party to be known, with an eye to Tokyo, as the Democratic Liberal party. If the president decides to replace his deputy prime minister, the choice of a successor will be difficult. He needs to dissipate the irritation without giving the impression that he is a puppet of the special interests. And there are any number of pretenders to Mr Cho's job, including candidates from the new coalition partners.

Can Mr Roh keep his nerve? Luckily, things are not quite as bad as they were. The unions' opening wage demands this year are 17-20%, compared with 28-30% last year. And though there were 46 strikes between January 1st and March 3rd this year, there were 192 in the same period last year.



Here come some more democrats

INDIA'S NEW YORK

India

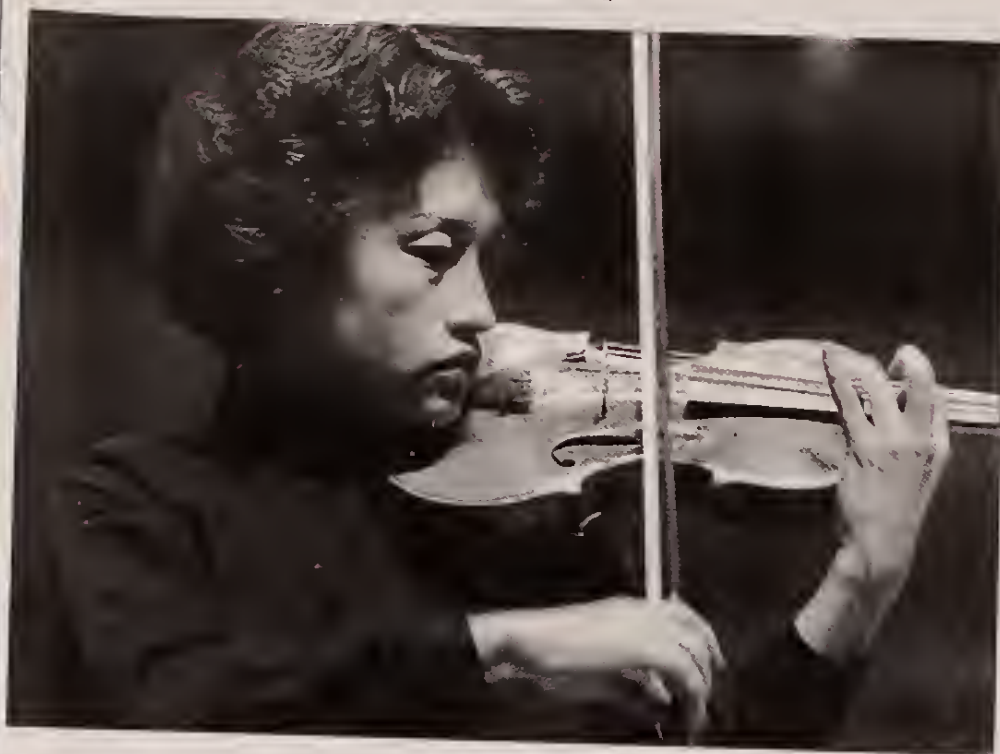
All sorts

FROM OUR INDIA CORRESPONDENT

WHEN Mr Rajiv Gandhi's Congress party was edged out of power in November, he told a friend that this meant no more than a six-month sabbatical for him. The elections to eight state legislatures in the northern and western parts of India, held on February 27th and 28th, suggest that Mr Gandhi will have to wait a great deal longer than that to get back into power.

His breezy prediction was based on his belief that the Mr V.P. Singh's National Front, with only 166 out of 544 seats in parliament, could not last. It depended, to its right, on the Hindu-revivalist Bharatiya

SOUTH KOREA



An impromptu performance

"IN TEN years," runs a Korean proverb, "even the mountains move." For South Korea, this is true in business, society and politics alike. Change comes at wrenching speed. Today's 14-year-old Korean boys are five inches taller than those of 1965 were. The South Korean economy is growing at 10%, which many Koreans think is depressingly slow. Just reading the newspapers, with their dizzying changes of mood and interest from week to week, is like riding a roller-coaster.

No one does things by halves in South Korea. When Hyundai went into the shipbuilding business in 1973, it started off by building the biggest shipyard in the world—and then had to set up a shipping line, too, when its first few ships were sent back by dissatisfied customers. Now both make money. Two years ago the government decided to try to improve diplomatic relations with East European countries. Now it has an embassy in every East European capital except Tirana.

South Korea's modern political and economic landscape is dominated by one huge gamble, however. It was taken in June 1987 by Mr Roh Tae Woo, a retired general and close friend of President Chun Doo Hwan, to whom the president had hoped to hand over power. Street demonstrations made it clear that a backroom deal was impossible: South Koreans wanted a democratic choice. Mr Roh decided that he would risk a direct election. Helped by a divided opposition, he won the presidency in December 1987.

His change of heart is still hotly debated today. President Roh's supporters have tried to portray it as a Damascene conversion: a sudden flash of light that turned him, one of Korea's many political generals, into a shining democrat. His opponents say it was a cynical decision to save his own skin by abandoning an old friend. Either way, it does not matter now. Mr Roh did not know whether he would win the election; nor did he know what he would do as president if he did. What counts is that he made the right decision.

By and large, Koreans are free to say and write what they think. Three years ago they were not. By and large, Korean workers get paid a wage that reflects their work. Three years ago they did not. Korea has not collapsed into an anarchy of petrol bombs and tear-gas, as some feared it would. Nor has the army tried to take back the power it relinquished in 1987. Few countries with dictatorship so recent in their histories can boast as much.

This January, with his predecessor safely retired to a Buddhist monastery in the mountains, Mr Roh took another gamble. He merged Mr Chun's Democratic Justice party with two of Korea's three opposition parties. On May 9th the newly merged party, called the Democratic Liberal party, was inaugurated. Less than three years after fighting a bitter campaign for the presidency, Mr Roh has succeeded in joining hands with two of his three opponents, all called Mr Kim.

Mr Roh had two immediate motives for engi-

Lucky that South Koreans have strong stomachs; they will need them over the next few years. But their country has a bright future. Tim Jackson reports

Exchange rates

Average 1989	
1,000 won =	\$1.50
1,000 won =	¥205.5
End-July 1990	
1,000 won =	US\$1.40
1,000 won =	¥205.1

neering the merger. First, the simple need for a parliamentary majority, which his party lost in a general election only three months after he became president. Second, the Korean economy began to slow down in late 1989 after three years of super-growth. The vast trade surplus amassed from 1986 to 1988 suddenly shrank to nothing, and then turned into deficit. Voters began to grumble about rising prices. Mr Roh needed others to share the blame, and to help him create economic policies that the broad mass of people would accept.

On neither of those counts has the merger yet succeeded. Politically, it was a self-conscious attempt to imitate the Japanese system which has kept the Liberal Democrats in power for a generation; yet within weeks of the announcement, an internal scrap had developed between Mr Kim Young Sam, the senior ex-opposition leader, and Mr Park Chol On, one of the president's favourite cabinet ministers. Mr Roh had to demote Mr Park to hold the party together. The merger is unpopular outside, too: a recent poll gave the party only 14% support, compared with the 38% won by Mr Roh during the presidential election. The truth is that Koreans are about as similar to Japanese as Italians are to Germans. The Japanese recipe for one-and-a-half party democracy will have to be varied sharply before it will work in Korea.

Economically, the government looks more confused and purposeless than it did before. The entire corps of economic ministers was sacked earlier this year and replaced with a new lot, who said they would do more to promote exports. So far, they have not achieved much; and they have about as much of a long-term outlook as British chancellors of the exchequer had in the 1970s.

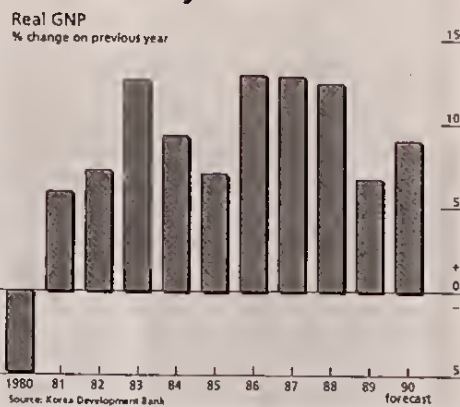
Yet it is too late to go back. Mr Roh has made his choice, and must stick to it until his presidential term ends in early 1993. So, too, must Mr Kim Young Sam. Mr Kim annoyed a great many of his supporters when he joined the ranks of the ruling party. After all, his platform for the presidency in 1987 and parliament in 1988 was that Mr Roh's lot was a gang of militaristic despots. To persuade the voters that the government had dropped its despotism, not he his principles, required some skilful talking—of which Mr Kim was not capable. Now he must sit tight and hope to salvage his reputation inside the government in time for the presidential election.

Politics of the vortex

Twenty years ago an American diplomat, Gregory Henderson, argued in a book about Korean politics that its great failure had been that the people who ran the country from Seoul had too narrow a base of support. They tended to govern badly, he argued, because of a culture in which new advisers were hired frequently, then sacked and never seen in power again. This he called the "vortex". Military dictatorship, which was then less than a decade old, was an extreme attempt to overcome this problem.

To a degree, though, the vortex still exists. Mr Roh failed to unite the country behind him when his party was governing alone. Now he is trying to achieve the same result by different means. The party merger is by no means his last card. Mr Roh also has some constitutional amendments up his

Extraordinary record



sleeve, perhaps to give more power to the prime minister and cabinet and less to the president. So far, he has not revealed them.

Will he succeed? Against him is a stifling pattern of political regionalism that makes Korea hard to govern. Most of Korea's presidents have come from Kyongsang province. The largest opposition party, which was excluded from the merger, is led by Mr Kim Dae Jung, Korea's most famous political dissident. Mr Kim is from Cholla province, one of the poorest and most rural in Korea. Cholla people adore him; much of the rest of Korea loathes him. His chance of making it to the presidency is slim—like a Moses who takes his people out of Egypt but cannot enter the promised land. But while regional champions like him are still around—and they will be, as long as people in the regions feel they are not represented in the capital—more mature political groupings are unlikely to develop.

Time is on Mr Roh's side. Korea can afford a few years of confusion before settling into a new political pattern. But there is lots to be done. Economic policy, whose predictability was Korea's great strength under military rule, has run awry. It needs to become boring again. Externally, Korea has to worry about trade: it depends more than most other countries on selling its goods abroad, and is therefore particularly vulnerable to protectionism in foreign markets. At home, it has a tax system that discriminates against the poor, and makes farm policy harder to work.

Understandably, Mr Roh has found all these challenges a little too much to handle. Rather than tackle them head on, he has allowed his government to drift. Yet Koreans are already counting the days until 1992, when both a new parliament and Mr Roh's successor must be elected.

One thing is certain: just as South Korea looks very different now compared with 1987, so it will look still more different in 1993. With their admirable literacy rate, their long working hours and their fast-rising productivity, South Koreans have already come far. Only a generation away from abject poverty, they are now richer than the Portuguese. If Korea's average incomes continue to grow at historical rates, they will overhaul those of Greece, Spain and Ireland within the next decade, and be comparable to averages elsewhere in Europe a de-



cade after that. The government is already talking to the rich countries' Organisation for Economic Co-operation and Development (OECD) about terms for membership.

Yet this heady prospect depends on the private

sector. No matter how hard-working their employees, no matter how well-governed their country, it is companies and their managers that will determine whether South Korea can be sure of a prosperous future. Are they up to scratch?

Good to be big, better to be good

COMPARE Korean business with that of Hong Kong, Singapore and Taiwan, and one difference glares out: economic concentration. Whereas the other newly industrialising countries (NICs) have grown mostly as a result of the efforts of small or middle-sized companies, South Korea has not. Its economic power is concentrated in fewer hands, and its present success is the triumph not of thousands of entrepreneurial minnows but of a handful of big-business fish. Ten of the country's firms are responsible for more than half its exports.

This is no accident. Korea's last military dictator but one, Park Chung Hee, made up his mind in the early 1960s that the way to make his country rich was to favour a few companies with carefully channelled credit and subsidies. In return for those favours, he asked a lot: those few firms had to meet the government's expectations. Sometimes they were given export targets; sometimes they were even told which new businesses to go into.

Civil servants under President Park followed these policies until his assassination in 1979; under President Chun Doo Hwan, they continued them until 1988. Economists still argue about whether Korea's spectacular economic success in the past three decades was a result of those industrial policies, or whether it was achieved despite them. Two things, though, are inescapable.

One is that Korea now has a number of business groups, or *chaebol*, so big that they are comparable in size to their strongest competitors in Japan, America and Europe. The four best known are Hyundai, Lucky-Goldstar, Samsung and Daewoo; but six others had sales last year of over \$3.5 billion.

The other is that as the *chaebol*'s profile has risen abroad, their popularity has fallen at home. The big firms and their founders are respected, it is true. Who could fail to admire Mr Chung Joo Yung, honorary chairman of the Hyundai group, who worked himself up from manual labourer to the owner of the world's biggest shipyard? Or Mr Kim Woo Choong, a turn-around merchant who built

the Daewoo group from a series of apparently hopeless acquisitions, and whose recent book, "It's a Big World, and There's Lots to be Done", has sold more than 1m copies in Korea?

Yet many Koreans feel that the government's life-and-death power over big business has been an invitation to corruption. In one famous case in 1985, the Kukje group, then Korea's seventh-largest company with almost 40,000 workers and sales of \$1.5 billion, went bust for reasons more to do with politics than with business. In countless other cases, radical Koreans say, the relationship between government and big business has been far too cosy: in return for their favours, businessmen have been able to get away with paying their workers badly and suppressing free trade unions.

Under the new political system, in which President Roh faced an opposition-dominated parliament from April 1988 to May 1990, these complaints have come out into the open. The government, embarrassed, has found it hard to respond. Indeed, it has joined in the outcry, blaming the big business groups for driving up house prices by speculating in land, and for promoting "excessive consumption" by importing expensive things Koreans want to buy. And it has announced (several times) measures to promote small and medium-sized businesses.

For all the rhetoric though, Korea is still firmly committed to big business. Many of the industries in which Korea is most competitive—textiles, shipbuilding, steel—are ones in which being big is a great help. Even more so the industries into which the government wants Korean firms to expand in the future, like semiconductors, aerospace and telecommunications. In those industries, size is such an advantage that many firms in Europe, America and Japan are forging "strategic alliances" with foreign competitors. Korean companies need to be mammoth just to survive.

Leviathans on the run

Big though they are, Korean firms have been battered by a series of shocks in the past two years. Wage bills have doubled since 1987, as workers demanded higher pay to compensate for the huge improvements they have made in productivity since 1980. The value of the won is 11% higher against the dollar than in 1987, even after devaluations in the past 12 months. Protectionism in Europe and America is more of a threat, with the "super-301" provisions of America's 1988 trade act and the wide powers of the European Commission to make foreign firms pay "anti-dumping" duties on exports to the EC. Foreign partners previously willing to give Korean firms technology almost for free have become more wary.

The revolution taking place inside Korean business

The top ten

Sales, 1989	won bn	\$bn
Samsung	21,894	32.6
Hyundai	17,284	25.7
Lucky-Goldstar	13,304	19.8
Daewoo	9,523	14.2
Sunkyung	6,048	9.0
Ssangyong	4,164	6.2
Kia	3,039	4.5
Lotte	2,829	4.2
Hanjin	2,772	4.1
Hyosung	2,343	3.5

Source: James Capel





You must change your ways, says President Roh

Individually, any one of these changes might have been manageable. Together, they amount to a crunch. In the past, Korean firms could take advantage of their size and low labour costs to sell mediocre products at low prices, and still make fat profits. No longer. To continue to grow, they must be well managed—not just big, but good.

What kind of companies are they now? Unlike Japanese companies, Korean firms are relatively unknown to outsiders and business writers. The few books about them are sketchy and uninformative. Like Japanese companies, they have become strongly hierarchical, full of *kajang* (section chiefs) and *bujang* (general managers), each demanding to be called by his title and bowed to at the right angle. Also like Japanese companies, they have a strong streak of the "collective" spirit; workers often wear company uniforms, sing the company song, live in company dormitories.

There the similarities end. Unlike their Japanese counterparts, Korean companies are still young enough to be led firmly from the top. The Japanese system of *nemawashi*—coming to decisions by a sort of collective consent—is unknown. Rather, the boss tends to make the big decisions. Perhaps as a result, workers are much freer to leave one company and join another than workers in Japan.

Given the differences between firms (of which more later), it is hard to generalise. But a balance-sheet of their general strengths and weaknesses would look like this:

Weaknesses:

- **Bureaucracy.** In contrast to their factories, Korean companies' offices are often inefficient and overmanned. Workers put in long hours, but great swathes of time are often wasted in pointless meetings or waiting for small decisions to be approved from on high.

- **Lack of focus.** Partly to insure against the risk that the government may restrict entry to a new industry, partly to satisfy the founder's vanity, many of the *chaebol* have dived into scores of disparate businesses without asking themselves why. One of them actu-

ally trumpets this fault with a series of corporate advertisements asking "Who is in everything from A to Z? Daewoo, that's who."

- **Lack of creativity.** Rarely have Korean firms come up with truly innovative products; many times they have pinched a good idea—whether a logo, a semiconductor design or a manufacturing process—from foreigners. Late starters often have to, but many Korean firms still spend too little on R&D. Their corporate culture sometimes discourages the creativity their workers possess.

Strengths:

- **People.** Despite their recent strikes and pay rises, Korean workers are still good value. They are highly literate, well-trained and hardworking.

- **Persistence.** Like their workers, Korean managers do not give up easily.

- **Agility.** Although they are slow in small things, the *chaebol* move fast in big ones. They do not fear risk. Samsung's decision to enter the semiconductor market with its own chip just before the industry's worst-ever recession in 1984 stunned its competitors. But the company threw \$150m at its new venture in 18 months, and emerged a winner.

- **Financial strength.** With cross-holdings between group firms and obscure balance sheets, the *chaebol* can use the strong cash flow of a core business to finance another division's losses. Although they are still highly geared by world standards, the *chaebol* also have deep pockets.

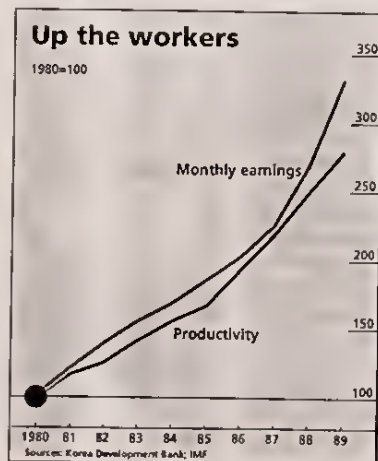
Samsung to the rescue

One company—the Samsung group—seems to have a head start on the rest. Its labour relations are better, partly because it pays the highest salaries. Its balance sheet is stronger, because electronics, in which it specialises, has done better in the late 1980s than the heavy industries on which Hyundai and Daewoo depend more. It has a team of talented managers, the result of a system of hiring by open examination since 1957, while some other groups are encumbered with gormless members of the founder's family.

Two years ago, just after its 50th anniversary, the founder of the Samsung group died, and his son, Mr Lee Kun Hee, took the reins. Mr Lee understood clearly the problems his firm would face in the future. He told his employees to ignore the high profits they were making that year, and think instead as if they had a crisis on their hands. His managers took him at his word. They have virtually turned the firm upside down since then.

First, they have cut costs. Production lines are shorter; their running speeds are higher. Taking advantage of the fact that most of its light-manufacturing workers are women, who stay for only a few years, the company has reduced its docile workforce where necessary, by natural wastage. It has saved money by reducing inventories—at one plant from six weeks' stocks to an hour's stocks for most parts in the space of half a year. It has also introduced just-in-time management systems throughout the factory in order to cut the amount of time each worker spends idle. One Samsung factory plans to cut costs by 10% and raise productivity by 30% this year.

What matters even more is that Samsung is trying to move away from its niche as a low-cost, me-



dium-quality producer. It aims to build strong brands in up-market products, backed up with high quality and a reputation for innovation like Sony's.

This is no small ambition. The first step has been to tackle the quality challenge head-on. In every Samsung plant visited for this survey, the production line's quality statistics were prominently displayed. By drumming the idea into workers that quality counts, the managers of the firm's microwave-oven plant at Suwon, which supplies almost a fifth of world demand, have cut its defect ratio from 6% to 2% in the first six months of 1990.

Product lines are being changed, too. In June Samsung Aerospace started to sell a new ultra-small autofocus camera called the AF Slim, which sells in the home market for \$375, and is the world's most advanced model—bar one made by Konica of Japan. To make way for production of 30,000 cameras a month, the company is dropping two cheaper models. The same is happening at Samsung's colour-picture-tube plant at Kachun, which is the world's biggest maker of the tube that is a television's key component: the plant is being closed for two months this summer to be retooled so it can turn out 29-inch screens, which have far fatter margins than the humbler 20-inch screens that were its stock-in-trade before.

To make the fatter margins, the firm must sell more of its goods under Samsung brand names, rather than as a contractor for more famous firms like Sony. It recognises the need to become better known. This year the consumer-electronics division plans to raise its advertising spending from \$46m to \$70m. In that budget is one special project: to put the Samsung name on every baggage cart in every airport in the world. As a result of these efforts, says Mr Chung Dam, who is in charge of international consumer-electronics marketing, more than half Samsung's electronics sales this year will be under its own name.

Management methods have had to change, too. The presidents of each company in the group have been given more responsibility. "The chairman's power today," says Mr Lim Dong Sung, president of the company's research institute, "is probably only 10% of what his father's was a decade ago." Line employees are being told more. Samsung companies seem perpetually to be in the middle of campaigns to improve something or other: posters announce this year's "MVP" (microwave victory plan), or JUMP 90. Change is reaching even the company's white-collar workers. One campaign exhorts them not to waste time in meetings. Before any Samsung meeting begins, the man in charge is supposed to tell the participants what it is for, how long it will take—and, as an added incentive to brevity, how much an hour it will cost to hold it.

Much remains the same, however. Little has been done to introduce flexible production, in which lots of different-seeming products can be made on the same production line. Japanese companies, by contrast, are steaming ahead, knowing that flexible production will radically lower their break-even points and allow them to respond faster to what the customer wants.

Like the rest of Korean society, Samsung remains extremely hierarchical. Talented middle managers complain that their best ideas are stymied by



Quality control

their dull-witted bosses. In style, relations between juniors and seniors are an eye-opener to foreigners. During one interview, a Samsung boss waved an empty cigarette-packet; his colleague (a deputy general manager, so quite high in the firm in his own right) dutifully rushed out of the room and came back with a new one. During another, a Samsung manager was interrupted by a shoe-shine man. The manager continued to talk as the shoe-shine man took off his shoes for him and replaced them with a clean pair.

More seriously, Samsung remains a group of 27 companies with little in common except ownership. "Our sugar and textile companies rank first in productivity, first in R&D, first in sales," says Mr Lim. "This year they made big profits. Why should we sell them?" Far from it: the firm is still looking for new lines of business. It hopes to get into the car industry, despite the fact that Korea already has three big struggling carmakers. It also has a finger in aerospace, with sales last year of \$100m derived mostly from engine assembly, spare-part manufacture, and maintenance. It hopes to use the Korea Fighter Plane project to boost this still further.

Yet the company has changed irrevocably. It has become more internationally minded, recognising not Lucky-Goldstar but firms in America and Japan as its competitors. And if its factories look like their Japanese equivalents, that is because it shares with them a relentless policy of making small marginal improvements all the time. "Last year we were ready to raise productivity in order to stay afloat if the won rose to 600 [to the dollar]," says Mr Won In Ki, director of the picture-tube plant. "Since then, it has depreciated. So we're working on quality instead."

That, in sum, is what has made Samsung Korea's most promising company: the pressure to raise standards now comes from within. Samsung clamours for a weaker won with the best of them. But it



does not make the mistake of taking its own rhetoric seriously. It knows the won and wages must continue to rise; whatever needs to be done to remain competitive, it will do.

Not all firms are the same. Most need a push

from the government if they are to raise quality, invest more, use more technology or improve their management. Three years ago there was no doubt that the government was able to deliver that push. Now, businessmen say, they are not so sure.

Anything for a quiet life

Democrats are finding it hard to run the economy as well as the despots did

IN DECEMBER 1988 President Roh made an interesting choice for the job of deputy prime minister and head of the Economic Planning Board. He appointed Mr Cho Soon, a distinguished professor of economics who had taught at Seoul National University, the country's most prestigious, for 20 years. Half of the country's top politicians and bureaucrats learnt their economics from him. Mr Cho occupied the job, which is Korea's top economics post and senior to both the finance minister and trade minister, during a fascinating period of his country's history.

After little more than a year of putting his theories to the test, however, Mr Cho was unceremoniously sacked—along with the rest of his economic team. He is now a private consultant. Mr Cho is too high-minded to spill the beans about his time in office. But in conversation, he gives a lucid account of how the job of making economic policy has changed.

Before 1987 the government of Korea was run by an authoritarian system in which the president had almost absolute power. Because the president supported the economic planning board and the deputy prime minister who heads it, the deputy prime minister had great visible influence and was firmly in charge of his subordinate ministers. That was the structure.

The objectives were more or less simple: during the 1960s, to maximise economic growth and export volume; and during the 1970s, to stabilise prices. All measures were directed towards fulfilling these aims, which were visible and understandable.

The means were more or less simple, too: direct

controls. Although these direct-control measures—such as the power to set interest rates or the wage rate—caused lots of distortions, the tools at the government's disposal were very powerful... In many respects, Korea was like a command economy—particularly in monetary policy.

Since the authoritarian regime went in 1987, all that has changed.

What Mr Cho found was that the job had become a job for a politician, not an economist. First, the deputy prime minister could no longer count on his boss's support. He also had to deal with an opposition-dominated parliament that could summon him or his officials to justify their policies. Clarity of purpose had gone, too: success meant not just high growth or exports, but juggling them against a host of other things, such as satisfying the demands of labour and farmers, improving welfare, thinking about the environment. And even as the job had got more taxing, the tools had become less effective. No longer could the deputy prime minister manage micro-policy with a few well-placed telephone calls to the heads of the *chaebol*. He had to rely on the slower responding, less reliable macro-measures familiar to finance ministers in the industrial world.

Because Mr Cho has no plans to write his memoirs, the details of his travails in office are unlikely to be known. But one thing is clear: the transformation from the "command economy" Mr Cho talks of to an economy where the government allows the market to take more decisions is proving politically difficult.

This is because the public is confused about what government can or cannot do. Newspapers splashed their front pages last year with headlines like *PRESIDENT ORDERS MINISTERS TO HALT RISE IN HOUSE PRICES*—an order about as sensible as telling them to stop the waves lapping against the shore. Mr Cho himself was a victim of these misconceptions: his departure was forced by a downturn in exports and a deterioration in the balance of payments, which his fellow ministers and the ruling party thought he could have done more to prevent.

In general, Mr Cho's policy line was clear: he pressed for a gentle appreciation of the won, and a gradual opening of Korea's markets to imports, heralding a trend towards higher domestic consumption, less reliance on growth through exports, and more welfare spending. It was a modest downturn in the economy—exports down 7% in volume terms in 1989, a sticky period of strikes, a falling stock-market and signs of rising inflation—coupled with a damaging rise in land prices that precipitated his departure.

In March a new team was installed, committed to a return to export-led growth and to domestic austerity. Its leading light is Mr Park Pil Soo, the



Keep on spending, please

new trade and industry minister, who used to be a career civil servant responsible for export promotion. "My policy direction," says Mr Park, "is to increase exports which were discouraged by my predecessor. That's the difference."

The new team has moved fast. Its first act was to cancel a proposed reform of the financial system which would have forbidden investors to use pseudonyms, as they can at present. Next it began to depreciate the won, claiming that the fall of the yen against the dollar this year has made Korea uncompetitive against Japan. "According to my information," says Mr Park, "720 [won to the dollar] is the rate at which Korean companies can be competitive."

The government has cracked down on labour disputes more strictly this year than last. It has also made it more expensive for Koreans to buy foreign cars, by using an existing rule that says they must make a compensating "investment" in government subway bonds. The required investment is higher for foreign than domestic cars, and also higher than before. The government has also encouraged its taxmen to investigate people who buy expensive imports. "Most of the haves," says Mr Park, "have acquired their money from irregular transactions such as land and building speculation. The tax office is therefore very eager to find out who spends his money on big cars but has a limited income."

There have also been allegations that the government has put direct pressure on importers to stop them bringing "luxury" goods into the Korean market. The countries of the European Community took the claims seriously enough to send their ambassadors *en masse* to Mr Park's office in June to bang the table. He denied everything, saying that it was citizens' groups, not the government, that had applied the pressure. It is still too early to say, but many outsiders fear that the government is trying to return to its old meddling ways. Mr Koo Bon Young, one of the president's economic secretaries, denies this: the differences between the old and the new teams have been overstated, he says.

The surplus fetish

At the root of today's problems is a policy failure dating back four years. Because Korean workers' productivity rose much faster than their wages in the first half of the 1980s, it became clear around

1986 that the won was undervalued. Yet the government, understandably keen to shake off its history of chronic trade deficits, refused to let the currency appreciate. Instead, it kept the won low, and clocked up huge current-account surpluses in the next four years.

At first, all seemed well. The economy boomed along, growing by 12.5% a year between 1986 and 1988. Hyundai made a splash with its cars in America in 1987—partly because of the low won, partly because the Japanese cars with which it was competing were subject to quantitative restrictions. Other firms had similar Indian summers, making big profits and paying them out to their employees in wage increases in 1988 and 1989.

Eventually, however, the extra money in the system began to push up domestic prices. Despite the government's efforts to keep down prices and to sterilise the surpluses by forcing big companies to buy government bonds, the price of one of the few goods the government could not control, land, began to rise dizzyingly.

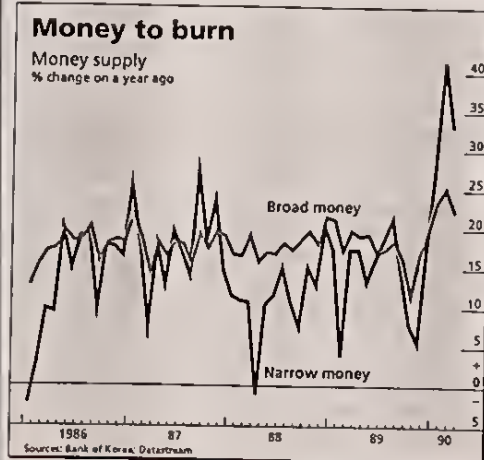
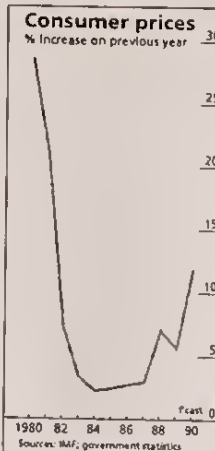
The result is that although Korea's economy is likely to grow by an impressive 9% this year, it has two pressing problems: inflation, which official figures say is running at 8.9% but is probably more than double that, and the prospect of a modest trade deficit for 1990. These are the problems that the government is trying to solve by quick-fix direct intervention. Yet the trouble is that the government's meddling in the economy has itself become part of the problem.

Take the housing market. Thanks to migration into the capital and the green belt around it, the long-term trend of house prices in Seoul has necessarily been upwards. Successive governments' meddling, though, has made the housing market less efficient.

First, the government's promotion of corporate investment has restricted the supply of credit for house-buying. Mortgages are scarce and almost impossible to get for more than 20% of the value of a house or apartment. A lunatic system has thus grown up which forces a tenant, who needs a house at short notice, instead of paying rent to stump up a lump sum, called *chonsei* and running to up to two-thirds of the value of the property, which the landlord has free use of until the tenant leaves and then gets his *chonsei* back.

Second, in an attempt to provide low-cost housing to the poor, the government has built houses and sold them off outright at a hefty discount. The result has been predictable: the poorest people cannot put together the capital to join in, and so never get helped. Middle-class people, on the other hand, buy government houses and later sell them on at a market price. There is even a secondary market in the certificates that guarantee a place in the queue.

Third, the government tried until last November to control house prices directly, by setting maximum retail prices per square metre for new houses. In order to protect their profits, builders have therefore avoided areas with high land prices, such as the centre of Seoul, and built only in places where land can be picked up more cheaply. They have also concentrated on big houses, which are cheaper to build per square metre. The result has been an artificial shortage of normal-sized dwellings where people



want to live—and a spiral in the price of houses already built (which are not liable to these restrictions). Since the end of last year the government has allowed minimum prices to rise a little. But the guts of the system remain the same.

Like many such distortions, the policy has created a political lobby of people who benefit from it. When the construction minister suggested last year that the controls should be eased, the howl of protest from owners forced the president to sack him.

Mr Yoo Jae Hyun, president of the Hanssem Housing Research Institute, an independent research body, thinks still more radical reform is necessary. He wants the government to:

- Scrap the price controls, after waiting for the present boom to subside.
- Make mortgages more freely available, and formalise the grey market for housing credit.
- Improve the density of use of the 78% of land which is devoted to one-family occupancy.
- Acquire a small slice of the green belt, perhaps 10%, for building new houses.

The trouble with these reforms—and others like them in other parts of the economy—is that they go against the grain of the extensive intervention which has been part of Korean economic policy for a generation. The bureaucrats are understand-

ably reluctant to change a recipe which has served their country so well in the past. Yet there is hope for change all the same. "The hardest thing for economic policy-makers," says Mr Lawrence Krause, a professor at the University of California in San Diego, who specialises in Korea, "is to unlearn the lessons of the past." Outsiders, such as the World Bank, are becoming less shy of advising the Korean government to reduce its microeconomic intervention.

Before the present economic team can do that, however, they must have some clear macro-policies to follow. At a time when inflation is accelerating and domestic demand is overheated, the government has been hinting to business that it will let the currency slide. Suppose it did the opposite, however. A steady rise in the value of the won over the next year or two would cut the cost of imports; and it would squeeze corporate profits. Companies would be inclined to pay their workers less, so domestic demand would ease.

Revaluing the won has just one drawback. After four years of surplus, Korea's balance of payments is likely to go back into the red this year. A stronger won will make the deficit bigger—something which the present economic team wants to avoid at all costs. Is it right to be so cautious?

Europe ahoy

Does Korea have a trade problem?

TO THEIR competitors in Europe and America, the Koreans may seem almost hyperactive in their search for customers overseas. It was not always thus. For most of its history until the 1960s, Korea was not at all keen on dealing with foreigners. It was known as the "hermit kingdom" not only because of its wish to keep foreigners away, but also because of its deliberate policy of failing to exploit what resources it had, so as not to invite the attention of potential invaders. This isolationist tradition has been carried on in North Korea (about which more later).

South Korea, on the other hand, has been firmly outward-oriented in its economic policies for the past three decades, and has become the world's tenth-biggest trading nation as a result. Its place in world markets is out of all proportion to its 42m population, its land area of 100,000 square kilometres and its modest natural resources. Trade accounts for a huge part of Korea's economy. Exclude the city-states of Hongkong and Singapore (which have domestic markets about the size of South London) and Korea's ratio of trade to total national income, at 66%, is among the highest in the NICs of this world.

This exposure to trade is at once Korea's great strength and its weakness. The bracing cold shower of international competition stimulated its extraordinary economic growth. Yet that same competition makes it more dependent on the outside world than other countries. Not only had Korea to sell its goods abroad; also, Korea had borrowed heavily from outside. From 1965 to the early 1980s, the country had chronic trade deficits and huge external debts. If the American economy sniffed, the government knew

very well, Korea's would catch a nasty cold.

Knowing this, it is easy to see why the ministries were overjoyed to see the current account turn into surplus in April 1986—and why they were so reluctant to do anything that might push it back into the red. A surplus, they said, provided a heaven-sent opportunity to repay all that foreign debt. But there was more than a dash of mercantilism, too, in their attitude: in Korea, surpluses are seen as a sign of strength in their own right.

It was argued earlier that letting the current account stay in surplus for four years did the Korean economy more harm than good. Yet the effects were not just felt at home. The surpluses mightily annoyed Korea's trading partners.

Between 1986 and 1989, America, Europe and Japan all began to take a much tougher line on Korean exports than they had before. America used the "super-301" provisions of its 1988 trade law to demand that Korea open its market wider, on pain of being designated a "priority foreign country". Prodded by belligerent businesses, the European Commission also began to use its anti-dumping rules more aggressively against Korean electronics exports. And Japan beat Korea with the very stick it had itself been beaten with: "voluntary restraint" quotas. It forced Korean knitwear exporters to sign a "voluntary" agreement with their Japanese counterparts limiting the number of sweaters they would send across the Sea of Japan.

The government made things worse for itself by trying to deal with the complaints bilaterally. Under American pressure, it wrote a new law to protect intellectual property which gave special retroactive protection to American companies—but not to



anyone else. Understandably, this blatant contravention of the principle of non-discrimination, giving equal treatment to all comers, has made the European Commission froth at the mouth. Otherwise, a combination of well-chosen concessions and skilful lobbying in Washington by Korea's negotiators has staved off the most worrying threats of protection.

The picture began to change last year. Higher wages, a stronger won, a downturn in the American car market, and an increasingly competitive Japanese yen slowed down the growth of Korean exports, while a more liberal trade regime at home allowed imports to continue to rise. As a result, Korea is likely to post a modest trade deficit this year: \$2 billion, according to the Korea Development Institute, an official think-tank. "It's not a disaster," says Mr Yoo Jung Ho, the institute's senior trade specialist, "but a lot of people think it is." One reason for that sentiment is the speed and magnitude of the current account's about-turn. The difference between 1988's surplus and 1990's estimated deficit will be almost 10% of Korea's GNP.

Yet there are reasons to be cheerful all the same. Behind the present pause in export growth, it was argued earlier, is a revolution taking place inside Korea's big companies, as they gird their loins to be better managed, closer to their customers, more automated and more attentive to quality. Such a revolution, like the restructuring of Japan that took place between 1986 and 1988 as the yen's exchange rate rose by almost 100%, cannot be achieved without short-term pain. The example of Samsung shows that it is happening nevertheless.

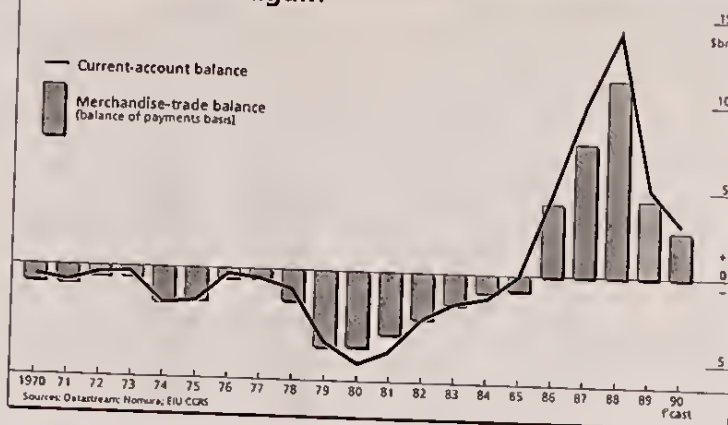
In the longer run, too, changes are coming which should allow Korea's policy-makers to sleep easier at night. One is that as it gets richer, the country's dependence on exports is likely to fall. This is because, as incomes rise, they tend to be spent more on personal consumption. At the root of the present chaos in the housing market and in labour-management relations is the desire for a higher standard of living. Koreans want to spend more on cars, on houses, on telephones and washing-machines and all the other baubles which their counterparts in Europe and America spend their time working to buy.

This was evident a year ago from the feverish crowds in department stores, and from the clogging-up of Seoul's roads with new cars which middle-class people were beginning to be able to afford. Korea's car makers found in 1989 that the boom in the domestic demand almost compensated them for their disappointing performance abroad. Other industries used to supplying goods just for export will come to find, over the next decade, a ready market for their goods at home.

Not only is trade likely to take a more modest slice of the economy. Another change is still more important: the structure of that trade itself may well be very different in ten years' time.

The current pattern of imports and exports is skewed. Korea depends too much on America for customers, which is not surprising given the military and political ties that have bound it to the United States since the 1950s. It also depends too much on Japan for supplies. Geographical proximity and good service have given Japanese firms an advantage

There and back again



in selling components and machinery to Korean companies. As for Europe, Koreans traditionally have not known much about it. Despite the fact that the European Community's economy is about the same size as America's, only 12% of Korea's 1989 exports went westwards to Europe while 33% crossed the Pacific to America. Much the same is true of Korea's imports from Europe.

The result is that Korea now has a modest trade deficit with Europe, a big trade deficit with Japan, and a big trade surplus with America. This is far from a happy mixture. It tempts protectionists in America to claim that Korea is nothing more than a staging-post for Japanese exports on their way from Nagoya to New Jersey. It makes diplomatic relations with Japan touchy. And it puts Korean companies in an unenviably backward position for 1992, when the European Community is set to merge into a single market.

Sadly, there are no quick solutions to the problem. The government is already trying to reduce the bilateral surplus with America by encouraging beef importers to move their accounts from Australia to Texas, and to reduce the deficit with Japan by telling firms to cultivate local component suppliers. Its efforts have not been helped by the strength of the dollar and the weakness of the yen this year: American products have got more expensive and Japanese ones cheaper.

Yet there is light on the horizon. President Roh's foreign policy of cultivating links with hitherto hostile communist countries has given Korean firms a great opportunity. In the past, the lack of diplomatic relations made it impossible to do business directly. Goods had to be shipped via Hong-kong or Japan; even letters and telephone calls had to go indirectly.

Now Korean firms are in with a chance. Korea's exports—ranging from shoes and textiles to televisions, and from fax machines to computers—are exactly the sort of goods for which demand in Eastern Europe is likely to boom during the 1990s.

Korean businesses start from behind, of course. Few of their employees speak any European language but English; many of them have never been to Europe—east or west. An article in the *Wall Street Journal* earlier this year painted a dismal picture of a representative of Daewoo sitting miserably alone in a hotel room in Moscow, unable to make the right



business contacts, and living on instant noodles brought from home.

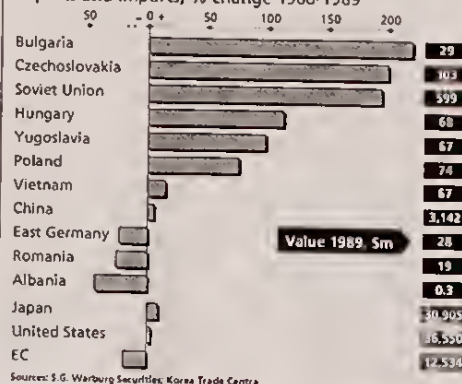
Many of the most thoughtful managers in the big *chaebol* are cautious about the prospects in Eastern Europe and the Soviet Union. "As businessmen," says Mr Chung Chai Kwan, the director who is in charge of Hyundai Corporation's forays there,

we're willing to sell wherever there is a market. But eagerness is not enough. We need to know the market in advance. We are not so familiar with the area as the Austrians or the West Germans, for whom Eastern Europe has been a historical back garden. In general, the same amount of effort will see westerners doing better than either us or the Japanese.

But Korean firms have some powerful advantages. One is persistence. Another, paradoxically, is the fact that the *chaebol* have such widely diversified businesses: they are more able than the average European or American companies to take payment in kind—in timber, scrap-metal or buses, for example. This is likely to become more useful as the riskiness of Russian and East European debt becomes more evident. A third is that they are used to fast growth. Their experience in other markets has taught them how to deal with markets that double every year. All told, a successful Korean push into the ex-communist block would go far to making its trade look

Good customers

Exports and imports, % change 1988-1989



more balanced.

That is a long way down the road, however. Politicians and bureaucrats today have more immediate worries. One of them is the increasing pressure on Korea to let in more food imports. "We're committed to open markets," says Mr Lee Hong Koo, special assistant to President Roh. "The question is how we make the adjustments less painful."

Those who get left behind

Farmers, the poor,
and the pressing
need for tax reform

FOUR hours' drive from the subways and skyscrapers of Seoul, at the southern tip of the peninsula, is the province of South Cholla, home of Korea's poets, painters and political troublemakers. South Cholla is rural.

Its scenery, though, is quite different from the idyll of paddies and thatched buildings to be seen in the Philippines or Burma. There is the odd factory, and a vast steel mill. And many of the farmhouses are reached by tarred roads, telephone wires, electricity and television. By comparison with their counterparts elsewhere in Asia, Korean farmers are rich.

A great gulf has opened, nevertheless, between the country and the towns. To farmers, who are closer to the austere Confucian tradition of valuing a scholar above a merchant, the sleek salaried workers of Seoul, with their talk of cars, clothes and foreign holidays, seem more distant than mere geography would suggest.

Korean farming is subsistence farming. The end of the Japanese occupation in 1945 was followed by a land reform which parcelled out the paddies into holdings big enough only to support a family or two. Since then, not much has changed: the average farm size is still about a hectare, and a farmer who owns three cows is big in the beef business.

In the meantime the rest of the economy has changed. Industrialisation has produced a dramatic shift in comparative advantage. By comparison with manufacturing, busily turning out shoes, ships and shiny electronics goods, agriculture is woefully inefficient.

The result has been predictable. Although Korean farmers are getting richer—disposable farm in-

comes almost quadrupled between 1979 and 1988—they are getting rich more slowly than their cousins in the factories. And that is what counts.

For the past 30 years there has been a steady migration from country to town; but the pace of change suddenly speeded up in the 1980s, to about 500,000 people a year now. The farm population, 70% after the second world war, has fallen from 29% in 1980 to 16% in 1988. Oldest sons who do their filial duty by staying on the family farm are finding it harder and harder to find wives. The average age of Korean farmers is rising by almost a year every year.

One other straw has been added to the camel's back: liberalisation. Partly because it allowed a big trade surplus to build up, the government has come under more pressure over the past three years to open up its agricultural markets to imports. So far it has made no concessions on the staple crop of rice, which brings in more than half of farmers' crop income, and whose import is banned altogether; and it has agreed to open Korea's beef market only to a

Richer, but not enough

Trends in poverty	1965	1970	1976	1980
Absolute poverty*	%	%	%	%
All households	40.9	23.4	14.8	9.8
Rural households	35.8	27.9	11.7	9.0
Urban households	54.9	16.2	18.1	10.4
Relative poverty†				
All households	12.1	4.8	12.4	13.3
Rural households	10.0	3.4	9.2	11.2
Urban households	17.9	7.0	16.0	15.1

*Less than \$178 (1981 prices) per month for five-person household.

†One-third of average household income.

Source: Korea Development Institute



small quota of foreign meat. But in other commodities—some fruits, grains, cotton and animal feed—Korean farmers have begun to face competition from abroad. The effects are not confined just to those products—for as one market opens, farmers switch to another crop, thus creating a glut and driving down prices.

As a result, argues Mr Choi Jong Soo, a farmer who belongs to the Catholic Farmers' Association, farmers have changed their mood.

When our association was organised in the 1960s, our aim was to emphasise production efficiency, education, and so on. But in the late 1970s we began to realise that this was not enough. We changed our tactics, and started to press for price controls. We have become more militant. Now we are flatly in confrontation with the government.

The trend became unmistakable in February 1989 when some 10,000 farmers came by bus to Seoul and demonstrated outside the National Assembly building. The heavily policed march went sour, and ended up with street battles between pitchfork-wielding farmers and riot police armed with truncheons and tear-gas. Since then, a new law limiting such demonstrations has been passed, and the incident has not been repeated.

But Korea now has what it did not have before: a militant, organised body of farmers, pressing for protection, and willing to turn violent if they do not get it. The problem is also intertwined with the destructive regionalism of Korean politics: South Cholla province, which has more than twice as many of its people on the land as the national average, is also the stronghold of Mr Kim Dae Jung, leader of the biggest opposition party. Its people feel that the merger this spring of the ruling party with two opposition parties has left them out, voiceless and unable to appeal directly to policy-makers.

In a fix

The government is therefore in a fix. Although farmers say it is not enough, the protection they already enjoy has made food expensive for the rest of Koreans. Rice is four times the world price; beef, of which Koreans now consume eight times as much as they did in 1980, is scraggy and exorbitantly priced. Milk costs more than it does in Europe, and bananas are luxuries, costing \$1 apiece.

Until now, the government's countryside policy has had two prongs. One is to build factories there to soak up the labour that is leaving the farms. Some argue that this is doomed: Seoul, with 80% of the country's universities and all its central government and big business, is too much of a magnet.

The other is to use machinery, technology and bigger farms to make Korean farmers competitive. "That's a dream," says Mr Kim Hyung Myong, a professor of agricultural economics at Suncheon National University. "There is simply no way Korean farmers can become competitive in the foreseeable future." Production of some high-value farm goods, like fresh vegetables and flowers, is not merely surviving but growing fast. Rice farming, on the other hand, has a less certain future. No Korean politician dares to say so in public, but the best policy for farmers is to give them enough support for a dignified exit as Korean agriculture shrinks further. The Korea Development Institute reckons only

10% of Koreans will be farmers in 2000.

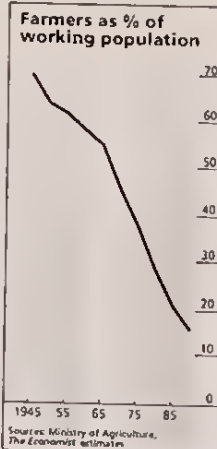
There is an obstacle, however, to providing the level of support required: a lack of cash in the government's coffers, due to Korea's outdated tax system. Sorting out the tax system would help the poor in three ways. Not only would it raise money that could be devoted to direct farm support, helping the subsistence farmers in the countryside. Not only would it allow the winding-down of present policies which raise food prices, and thus hurt the urban poor who spend a high proportion of their incomes on food. It would also remove the single biggest source of worsening inequality in Korean society.

Give to the rich, steal from the poor

For all its bureaucrats' habits of intervention, Korea is a country of small government. Taxes bite into only about 18% of its GNP, little over half the average for industrial countries. In general terms, this is no bad thing. Once governments get themselves used to taking a large slice of workers' pay, they find it hard to kick the habit—and end up reducing people's incentive to work harder. But the level of services provided by government in Korea is lower still than it might seem: 28% of the central-government budget is spent on defence, leaving correspondingly less for other things.

Revenue is raised mostly through indirect taxes—taxes on people's spending, rather than on their income. Only two percentage points out of the 18% of Korea's GNP that goes to the taxman is raised from direct taxes on personal incomes. The rest comes from companies, from a 10% VAT introduced in 1977, and from a few other sources.

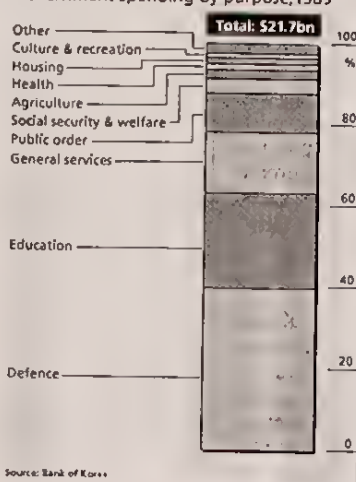
The result, according to Mr Kwack Tae Won, an economics professor at Seoul City University, is that Korea's tax system is severely regressive (that is, it takes a much higher percentage of a poor man's income than of a rich man's). This is because wages are taxed relatively effectively, with 40% of the workforce paying income tax. Income from most kinds of property, on the other hand—such as land,



We don't want your food, only ours

Could Korea spend more?

Government spending by purpose, 1989



houses and shares—has until recently been practically untaxed in Korea. Most Koreans who invest in the stockmarket hide their identities by using pseudonyms. Property taxes were, until recently, negligible.

These aspects of the tax system did not seem particularly important before 1985. Land prices and equities had risen gently, but not exorbitantly, in value. Then, with the arrival of the trade surplus, came an explosion in asset prices. Share prices, despite sharp falls this year, are still five times higher than they were in 1985. House prices have more than tripled. People who had investments in houses or land (about 40% of households) or shares (about 20%) have therefore become rich very fast. Those who did not, have not. Consequently,

the distribution of wealth in Korea has become even more unequal. How much, it is hard to say, since government statistics tend to concentrate on the distribution of labour income, rather than the income from both labour and capital. The World Bank is now working on a paper which may produce some good guesses.

It may be irrational for Koreans to worry about the gap between their own living standards and

their neighbours'. After all, absolute incomes have risen very fast indeed for a generation—with the result that even quite poor South Koreans are a great deal richer than the average North Korean. All the same, they do worry. Inequality has become one of the biggest political issues. "Our system is different," says Mr Lee Hong Koo, the president's special assistant. "People won't accept great discrepancies in wealth or privilege as they would in other countries."

One step forward, one step back

Early in its life, Mr Roh's government moved to correct things. It introduced a national pension scheme in 1988, and extended the public medical-insurance system to cover the whole of the country in the same year. Late last year, it made the first tentative steps towards tax reform, called "the public concept of land"—which simply means taxing capital gains from land, and imposing some direct limits on the amount of land people may own.

Will it go further? The signs are not encouraging. In April the new economic team cancelled a proposed reform which would have forced stock-market investors to use their own names. One interpretation of that decision is that the government is in the pocket of the rich. There is, however, another interpretation: Mr Roh just has too much on his plate, and has chosen to attack the more palatable morsels first. Hence the startling contrast of his first two years in office: surprisingly little achieved at home, but lots achieved abroad.

Romancing the zone

How the two
Koreas might get
together

PRESIDENT ROH TAE WOO is a lucky man. Both Chun Doo Hwan and Park Chung Hee (his dictatorial predecessors as president) tried their hand at foreign affairs. But circumstances were against them. Park managed to normalise diplomatic relations with Japan in 1965, but had a row with Jimmy Carter a decade later when the American president tried to withdraw troops from South Korea. Mr Chun got to Washington in 1980 to shake Ronald Reagan's hand, but only because the invitation was a *quid pro quo* for the life of Kim Dae Jung, whom Mr Chun had sentenced to death.

Mr Roh, on the other hand, started with high cards. He assumed the presidency in February 1988 just in time to take credit for the Olympic Games in the summer. The Olympics, moreover, produced an unexpected diplomatic coup: despite the threat that North Korea might blow the games to kingdom come, almost everyone came—including many old adversaries with whom South Korea had never had diplomatic relations.

Yet Mr Roh has played those cards wisely all the same. After barely two years in office, he has:

- Cemented relations with allies. Although America and Japan have backed South Korea against the North, relations with the two powers have been rocky for the past 20 years. By careful cultivation, Mr Roh's government has managed to defuse trade tensions with America and to begin to solve the thorny argument over how Japan should treat its

much-persecuted Korean minority.

- Sent South Korean missions to Eastern Europe. Before Mr Roh became president, Russia's East European satellites were unanimous in shunning South Korea. The country's new network of embassies across Eastern Europe is the result of dangling well-chosen economic carrots.

- Pursued an easing of relations with the Soviet Union and China. After a much-trumpeted June meeting with Mr Mikhail Gorbachev in San Francisco, Mr Roh announced that the two countries



will open full diplomatic relations at some unspecified time in the future. South Korea has also been holding discreet negotiations with China, North Korea's other long-time friend and supporter.

Many Koreans are cynical about what Mr Roh has done. "Roh has given too many economic concessions to Gorbachev," says one opposition politician. "We could have waited until the Soviet Union is more desperate. Also, I was appalled at the affront to our president's dignity in San Francisco." (The Soviet leader kept Mr Roh waiting more than an hour, and his security men pushed around top Korean officials, under the misapprehension that they were reporters.)

Outside Korea, such criticisms look paltry. South Koreans, who until January 1989 were not allowed to travel abroad freely, are still parochial: when Mt George Bush stopped for lunch in Seoul on his way from Tokyo to Beijing last autumn, Korean newspapers described his meeting with President Roh as a summit. Mr Roh's advisers are more worldly: they know that he is the leader of a small country far down the list of both Mr Bush's and Mr Gorbachev's concerns. If he has to jump up and down waving a flag to attract their attention, so be it: his tactics have worked.

Take me to your great leader

What matters more is that Mr Roh's adventures in Eastern Europe and America are having an effect on his country's most vital foreign relation of all: its dealings with the communists half an hour up the road, past the Demilitarised Zone.

In the long run, Mr Roh's meeting with Mr Gorbachev is probably the most significant event in Korean diplomacy since the Korean war. Progress on improving the atmosphere on the peninsula has been hard because of the neatness with which the two sides are lined up: America, Japan and South Korea on one side; North Korea, the Soviet Union and China on the other. Although North Korea has tried to play one off against the other, it is the Soviet Union, not China, which has been North Korea's main paymaster and arms supplier.

The Roh-Gorbachev meeting put paid to all that. By meeting North Korea's most bitter foe, Mr Gorbachev has given it an unmistakable signal that it can no longer expect support, either financial or military, for an aggressive stance against the South. Unless it wants detente, therefore, North Korea is forced to choose between total isolation and cuddling closer to China.

South Korea is not stopping at that. It, too, is trying to become friendlier with China, in the hope of persuading it to drop its long-standing policy of using its seat on the Security Council to veto any South Korean application to join the United Nations. For all its ideological baggage, China might well do so: it does six times as much trade with South Korea as it does with the North, and would like to do still more.

Knowing this, Mr Roh has dispatched Mr Hyun Hong Choo, an ex-cabinet minister and the manager of his campaign for the presidency in 1987, to head South Korea's observer mission to the United Nations in New York. The presence of such a heavyweight suggests that fast progress might be made there, too.

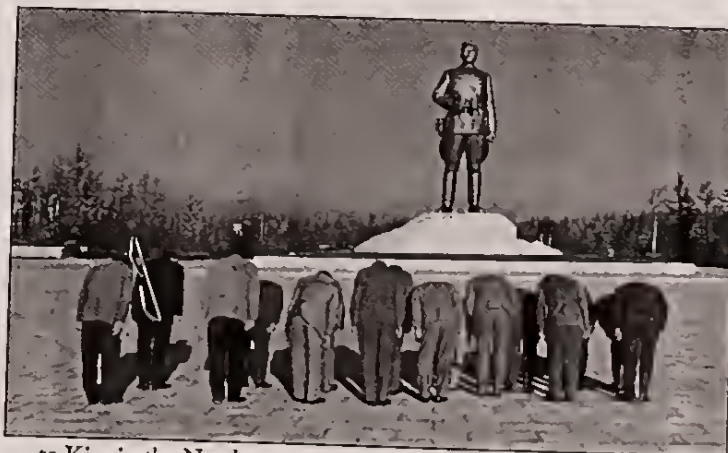


A message from Roh in the South ...

In only one area is little progress being made: direct negotiations between South and North Korea. For two years talks have started and stopped. Civil servants on South Korea's unification board have drafted notes and proposals galore. Expectations have been raised, and then sharply dashed. This summer, as this survey went to press, they have been raised again by the prospect of a meeting between the two countries' prime ministers. But no one knows whether things have truly changed.

This is partly the fault of South Korea. For all the rhetoric of Mr Roh—he described the North Koreans as "our brothers, not our enemies"—his government still makes extensive use of the repressive National Security Law that forbids South Koreans to visit North Korea without special permission, to praise its system, and sometimes even to meet North Koreans in third countries. In the past year two South Koreans—a girl college student and a septuagenarian clergyman—have been given heavy prison terms for going to North Korea and saying nice things about Mr Kim Il Sung, its leader.

But the main obstacle to progress is North Korea itself. Year after year it has proposed negotiations and then pulled out, citing South Korea's annual spring military manoeuvres with the United



... to Kim in the North

States as an excuse. At the end of June it proposed still more talks; whether they turn out any different remains to be seen. Mr Lee Hong Koo says:

North Korea is the most successful totalitarian system in the history of mankind. It's far more successful than the Third Reich, or than Stalin's Russia. One yardstick is stability: Kim Il Sung has run the system alone for more than four decades. Another is economics: as autarkic systems go, it has shown tremendous efficiency. Yet those very elements which have created its success are blocking its ability to change. It is a textbook question: can a totalitarian system reform itself voluntarily?

No one knows. North Korea has three models before it. One is the Soviet Union, in which reform has been like rolling a snowball downhill: hard to stop half-way. Another is China, whose rulers have re-established stern control after the hesitation leading to last summer's Tiananmen Square massacre. The third is Romania, whose dictator Nicolae Ceausescu tried to resist reform altogether, and paid for that policy with his life.

An uncontested takeover?

What is certain is that North Korea faces an uncertain few years. In the background is its stagnant economy. The North ceased to compete with the South in the late 1960s, since which time it has published few economic statistics. Its GNP per head is now something between a quarter and a third of the South's \$5,000. Mr Kim is near to 80, and keen that his son, Kim Jong Il, should succeed him—which outside analysts say has provoked a bitter power struggle inside the North Korean leadership.

Until Mr Kim père dies—which could be next week or in ten years—little change is likely. After that, though, events could move with Germanic speed. "Until last year," says Mr Lee, "those of us who emphasised the need to be prepared for such contingencies [that is, the death of Kim Il Sung] didn't get much of a hearing. Those developments looked too good to be true. Now the government is



... and sing in the rain



Doff that uniform...

preparing various plans to cope."

The idea of a reunified Korea should make politicians and businessmen abroad pause for thought. With a population of almost 65m, and the third-biggest economy on the Asian mainland after China and India a united Korea would be a formidable economic power, combining the North's natural resources and totalitarian work ethic with the corporate power and drive of the South.

Thanks to the past 40 years of hostility between its two halves, a united Korea would also be armed to the teeth. That, too, is something outsiders have not bargained for. Mr Choi Ho Joong, South Korea's foreign minister, says he thinks a united Korea would be able to get by with far fewer arms than the two sides separately now possess.

His successors may disagree. For in the past, Korea's bigger neighbours, China, Russia, Japan, have not hesitated to take advantage of its weakness by trying to neutralise it, make it a sphere of influence, or subjugate it into a colony. An independent single Korea, ready to use force to keep invaders the right side of its eminently defensible borders, may give foreign generals concern. But it could be a great influence for peace in Asia.

One thing, however, is certain. When change in North Korea does come, the South is likely to find that it must tear up all its carefully written proposals for federations, Korean commonwealths and the like. Across its border may be a North Korea whose entire value system has collapsed, and whose leadership has neither the confidence nor the mandate to negotiate. With twice the population and an economy many times the size of North Korea's, the South could well find reunification a misnomer. Peaceful takeover might be nearer the mark.

South Koreans will cross the demilitarised zone and marvel at the economic gap that has already opened between their lives and those of their poor cousins to the North. That should give some satisfaction to Seoul's anti-communist ideologues. But for ordinary people, the message is simpler and more reassuring. The change will certainly cause great upheaval in the South, as it is doing in West Germany. But they have nothing to fear from it.

Chart for Korean Church Growth (1784-1990)

Roman Catholic (—) Protestant (---)

1774-4,000	
1801-10,000	
1857-15,206	
1866-23,000	
1883-12,035	
1890-17,577	265
1900-42,441	18,081
1910-73,517	167,352
1920-90,000	215,032
1930-109,000	306,071
1940-150,000	372,000
1950-257,668	600,000
1960-365,968	1,257,428
1970-839,711	2,197,336
1980-1,321,293	5,809,417
1989-2,613,267	10,644,455

(thousands)

11,000

10,500

10,000

9,500

9,000

8,500

8,000

7,500

7,000

6,500

6,000

5,500

5,000

4,500

4,000

3,500

3,000

2,500

2,000

1,500

1,000

500

1784-1884 1900 10 20 30 40 50 60 70 80 90 1000

Only a small percentage of Asia's population adhere to Christianity. Compared to other religions, however, the projected growth for Christianity in Asia of almost 100 percent from 1975 to 2000 makes it the fastest growing religion on that continent.

Religions in Asia

1975 and 2000

Religion	% of population 1975	2000
Islam	18.29%	23.06%
Hindu	21.69%	21.10%
Buddhism	20.32%	16.44%
Other religions	13.69%	10.28%
Christianity	10.84%	9.63%
Judaism	4.5%	8.31%
Sikhism	3.12%	11.18%